

Beef

World beef production and consumption are projected to increase by more than 20 percent between 1998 and 2009. The largest increase in consumption is expected to be in China, and will likely be satisfied with increased domestic production. Production is expected to increase significantly in the FSU, as the economic situation improves in that region after the year 2000. FSU exports (mainly intra-FSU) are projected to recover from recent low levels back to those that prevailed in the early 1990's, although net FSU imports are likely to increase in response to economic growth. Besides China and the FSU, the only other major beef-producing countries where production growth is projected to exceed 1 percent are Mexico, Canada, and Brazil. U.S. beef production will increase, and an increasing share will be higher quality hotel-restaurant-export beef. Production and consumption in the EU are expected to continue gradually declining, with trade remaining constant and stocks high.

Global per capita beef consumption is projected to increase gradually as meat demand increases in response to income growth, mainly in lower income countries. Nearly 50 percent of the growth in world beef consumption is expected to occur in Asia. Although continuation of the current economic crises in that region could adversely effect beef demand in the short run, growth is expected to return to its trend over the forecast period. However, there may be limited potential for growth in demand for beef in some Asian markets such as Japan, where rapid gains have already occurred, while other countries with significant potential for growth in beef consumption, such as China, may satisfy it with domestic supplies. Nevertheless, considerable growth in demand may occur in a number of smaller Asian markets.

With the exception of China, a significant portion of the projected growth in beef and veal consumption in Asia is likely to be satisfied by imports. While the projected increases in consumption will be driven by growth in income and population, a fixed and relatively small land and forage base will limit growth in domestic production while lower trade barriers will allow increased imports. Fundamental economic conditions favor economic growth in the longer term, although the current financial crises will allow increased imports.

Other regions where significant increases in consumption are projected to occur include Brazil and Mexico, which may consume an additional 1 million tons and .5 million tons of beef, respectively, by 2009. Less significant increases in consumption are likely to occur in the countries of Central and Eastern Europe, and will depend upon the degree to which economic liberalization allows income to grow. While beef consumption in Russia is likely to rise above the current low levels associated with the economic crisis in that country, strong competition from relatively cheap pork and poultry will limit increases in beef consumption. Beef consumption will likely also increase in the United States by the end of the period, although it is likely to decline for the next few years in favor of relatively cheaper poultry and pork, and as beef supplies decline with herd rebuilding.

All of the major beef exporters, except the EU, are expected to increase production for export. EU

exports will fall in order to meet Uruguay Round commitments to reduce subsidized exports, contributing to a projected slowdown in the growth of global beef exports. While Australian exports are expected to remain steady at around 1.1 million tons, the United States is projected to emerge as the world's largest exporter of beef as Pacific rim imports pick up. Mexico is expected to emerge as a major market for U.S. beef exports. However, stiff competition is likely to come from Brazil and Argentina for beef trade with Mexico, as well as in other markets. Exports from New Zealand are not expected to increase significantly.

Highlights for Major Importers

Roughly 40 percent of the additional 1 million tons in world beef trade that is projected over the length of the baseline is expected to come from the Pacific Rim countries, as a result of increasing incomes and lower trade barriers over the longer term that will more than offset the short-terms drag on trade by the current financial problems. Income growth is also expected to increase demand for beef imports by Mexico and FSU later in the period. The United States is in an excellent geographic position to satisfy the Mexican market, while countries in Central and Eastern Europe are likely to be major suppliers to FSU. Imports by Egypt are also likely to grow significantly over the period.

United States. U.S. beef imports are expected to gradually decline over the projections period, as the per capita consumption of beef continues to decline. Favorable grain prices and firm world beef demand are likely to encourage higher beef prices and herd rebuilding. While processing beef might be in short supply in the near term as cows are retained for herd rebuilding, such a possibility is likely to be offset by continuing declines in per capita beef consumption as consumers continue their switch in diet to relatively low-priced pork and poultry. Canada is expected to supply an increasing share of U.S. imports, at the expense of New Zealand and Australia as production increases in those countries are limited and their exports are directed towards Asia. While imports from Australia are expected to remain below the TRQ levels established under the WTO, New Zealand may fulfil its quota. Although Argentina and Uruguay can ship fresh beef to the United States, imports from those countries will be subject to TRQs.

Japan. Japan's imports are expected to increase by about 200,000 tons, or more than 20 percent, as demand continues to increase against stable domestic production. By the year 2000, the tariff rate on beef will have declined to 38.5 percent from its pre-Uruguay Round level of 93 percent. While reduced tariffs are expected to allow imports to become more competitive, growth in per capita consumption is expected to slow in the later part of the projections, at which time imports are projected to comprise two-thirds of consumption. The United States is projected to supply the majority of Japan's increased imports, as supplies in Australia and New Zealand remain fairly steady. Competition is likely to increase from Canada, however, and possibly from Argentina if that country is successful at increasing its capacity for fed beef.

Former Soviet Union. In the FSU, economic restructuring of the livestock sector has led to a sharp decline in beef production. In response to the loss of production subsidies, worsening terms of trade for producers, and declines in consumer incomes, beef production has fallen by over 50 percent since the late 1980s. As consumer subsidies were eliminated, both per capita consumption and imports declined by similar magnitudes. Beef production is believed to have hit bottom in 1998 and is expected to increase during the remainder of the baseline, but not to the level of the late-1980s. In Russia, production growth is not expected to exceed 10 percent over the period. While imports may decline in the near term, they are expected to grow significantly later in the period, as the increased demand resulting from higher incomes exceeds the rate of herd rebuilding. By 2009, total imports by the FSU may increase by nearly 250,000 tons over the 1994-98 average, with Russia accounting for about 75 percent of imports by the end of the period.

European Union. Beef in the EU is still being affected by market distortions resulting from the Bovine Spongiform Encephalopathy (BSE) outbreaks and high CAP support prices for beef. Consumption is expected to decline or remain stable at best, and stocks are expected to remain high. Therefore, it is unlikely that EU governments will allow imports to increase beyond their WTO commitments, and imports are thus expected to remain constant.

Canada. The liquidation phase of the Canadian cattle cycle that began in late 1996 is coming to an end as heifers are retained for breeding. Declines in cattle exports to the United States for slaughter are expected from late 1999 through 2001, and cattle exports from the United States to Canada have increased as a result of the Northwest Cattle Project, begun in October 1997 to facilitate trade in feeder cattle from Montana and Washington to Canada. Consequently, beef production is expected to continue rising throughout the projection period, and imports are expected to decline. .

South Korea. Imports by South Korea are expected to continue increasing as that country meets its WTO obligations to grant access to its market. While the current economic crisis may limit import growth in the near term, several factors favor significant growth over the longer term. Most importantly, Korea must end its quota and markup system by 2001. After that, trade will be regulated only by a tariff that is subject to reduction. Limited room for expansion of beef production, decreased government support for livestock producers, and increased per capita beef consumption are expected to drive increased imports through the baseline period. The United States is expected to benefit from growing demand for grain-fed beef.

Mexico. Mexico's beef imports are expected to continue recent increases as its economy grows. Historically, consumption peaked at 2.2 million tons in 1989 and then declined to 1.75 million tons by 1991. Consumption is expected to increase 30 percent by 2009, to about 2.5 million tons. The need to rebuild herds from the 1995 drought and the recent financial crisis will limit production growth and induce rapid import growth in the short run. Imports are projected to increase by more than 60 percent between 1998 and 2009, but are likely to increase more slowly after 2000 as production expands.

Taiwan. With limited production, and consumption expected to double, Taiwan is expected to double its beef imports by 2009. Taiwan is one of several Pacific Rim countries where per capita beef consumption remains low, and there is significant potential to increase consumption as a result of income growth.

Highlights for Major Exporters

The United States is likely to emerge as the largest exporter of beef by the end of the projections period. Production is expected to increase by only limited amounts in Australia and New Zealand, and to decline in the EU by a magnitude similar to a decline in consumption. Canada is likely to increase its share of world beef markets. Argentina may remain the fifth largest exporter of beef, but it has increased potential to expand into the growing Pacific Rim markets and challenge New Zealand for the number four position.

Australia. Australia supplanted the EU as the largest beef exporter in the early 1990s, but will likely yield that position to the United States midway through the baseline. Herd rebuilding after several years of drought is expected to reduce beef production through the year 2000. After that, beef production is expected to increase very slowly. The processing-grade beef markets of North America are expected to remain important for the next few years, as domestic supplies are tight in the United States, but to play a gradually smaller role later in the period relative to the Pacific Rim. Limited feed grain supplies will constrain Australia's expansion into the fed-beef markets against the United States and Canada.

European Union. High levels of beef stocks are expected to remain a serious problem for the EU throughout the baseline period. Consumption is expected to decline slightly over the projections period as consumer confidence in beef as a result of the BSE scare remains low. Some substitution in favor of pork is expected. Subsidized beef exports are projected to fall to meet Uruguay Round limits but, without lower support prices, it is unlikely that production will fall significantly. The baseline assumes that stocks do not exceed the recent historical highs of about 10 percent of consumption.

The pace of CAP reforms in the EU is a significant uncertainty in the forecasts, and a policies are currently being debated for the post-2000 period. On one hand, any declines in CAP support for beef will have a major impact on feed use, prices, and trade, but policies that continue to support high production or stocks could force significant financial burden onto member countries.

United States. U.S. exports are expected to increase to serve the expanding markets for higher quality ground beef in Japan, South Korea, and Mexico. Exports to Canada may be limited by the development of a feeding industry in western Canada now that transportation subsidies for grain no longer exist, and by the aggressive marketing of Canadian packers in traditional U.S. markets in eastern Canada. Export growth may be limited until the year 2002, as the U.S. holds back heifers for herd rebuilding. Exports are projected to rise from 8 percent of U.S. production to more than 11 percent by 2009.

New Zealand. New Zealand's beef production is expected to stabilize at around 620,000 tons for the next several years, as a result of weak dairy prices. Around 2005, production in New Zealand is projected to begin increasing, and to reach the 1997 level of 640,000 tons by 2009. The United States is New Zealand's largest market, with a 213,000 ton quota (product weight basis). New Zealand's exports to the United States are expected to remain near the quota level until Pacific Rim markets become stronger, when exporters may sell to those markets in order to reduce dependence on the U.S. market.

Brazil. Beef consumption is projected to increase about 18 percent over the projection period, reaching more than 7 million tons by 2009. Increases in beef production are expected to more than keep pace with the growth in consumption, and exports are projected to increase 30 percent to about 369,000 tons. Imports are also expected to increase slightly in the near term, but to decline toward the end of the period. Due to tariff reductions under MERCOSUR, Argentina will likely be the major supplier to Brazil and, hence, supply slightly less beef to the U.S. in the next few years.

Argentina. Argentina is expected to slowly rebuild its cattle herd, which had fallen to the lowest level in 25 years in 1996 because of severe drought and high grain prices. Production is expected to decline in 1999 as heifers are held back for breeding, and may not increase significantly until after 2000. Future production is also expected to be positively effected by more intensive pasture management and attempts at increasing the amount of fed beef. This latter effort, if successful, could allow Argentina to enter into the lucrative Pacific Rim markets. Exports will also be aided by Argentina's recent FMD-free status, and by a continuing decline in domestic per capita consumption. Argentina has a 20,000 ton export limit to the U.S., so it will have to develop some markets in the Pacific Rim if it is to achieve the 480,000 tons of exports projected by 2009, which would put exports back to the pre-drought level..

Canada. Increases in production may be limited initially by the expansionary phase of the cattle cycle. Canadian exports are projected to decline next year, but to strengthen later in the projection period. The United States will remain Canada's major beef export market, but fed-beef exports into other countries should increase significantly as production increases 14 percent by 2009. Elimination of the Western Canada Grain Transportation Act is expected to encourage increased feeding of livestock in central and western Canada, and fed beef could be exported to Pacific Rim countries, as well as the United States.

Central and Eastern Europe . Some growth in CEE beef exports and production is projected, mainly later in the projection period. With improved feeding practices, slaughter weights and output are expected to increase. While per capita beef consumption has declined from the 1990 peak due to a drop in incomes, changes in relative prices, and the end of subsidies, per capita consumption is now expected to rise along with per capita incomes. Thus, increased consumption is likely to be satisfied mainly by increases in domestic production, and growth in exports in this region is likely to be limited.

As in the FSU, the future pace of reform in the CEE countries is uncertain and could affect the outlook for production and trade of beef. It is unclear to what extent governments will maintain support to livestock producers, how fast production will recover, or how quickly these countries will look to expand exports. Trade developments with the EU and Russia will also have a strong impact.